Financial Statements

The Niagara Parks Commission

2012

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THE NIAGARA PARKS COMMISSION

MANAGEMENT REPORT
October 31, 2012

The Management of The Niagara Parks Commission are responsible for the financial statements and all other information presented in these statements. The statements have been prepared by management in accordance with the framework identified in note 2 in the accompanying audited financial statements.

The financial statements include amounts based on best estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the statements are presented fairly, in all material respects.

Management maintains a system of internal accounting and administrative control that is designed to provide reasonable assurance that the financial information is relevant, reliable, accurate and that the Commission's assets are properly accounted for and adequately safeguarded.

The Board of The Niagara Parks Commission is responsible for gaining assurance that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Board, through the Audit and Finance Committee, meets periodically with Management to discuss financial results, auditing matters, financial reporting issues and to satisfy itself that each group is properly discharging responsibilities. The Committee reviews the financial statements before recommending approval by the Board.

The financial statements have been audited by Grant Thornton LLP, the Commission's appointed External Auditor and in accordance with Canadian generally accepted auditing standards on behalf of the Commission, Minister of Tourism, Culture and Sport and the Provincial Auditor General. Grant Thornton LLP had direct and full access to all Commission records as well as full access to the Audit and Finance Committee with and without the presence of management to discuss their audit and findings as to the integrity of the Commissions financial reporting.

John Lohuis
General Manager
Services
February 22, 2013

Margaret Neubauer
(A) Senior Director, Corporate

February 22, 2013

Grant Thornton

Independent auditor's report

Grant Thornton LLP
Suite B
222 Catharine Street, PO Box 336
Port Colborne, ON
L3K 5W1

T +1 905 834 3651
F +1 905 834 5095
E PortColborne@ca.gt.com
www.GrantThornton.ca

To The Niagara Parks Commission,
the Minister of Tourism, Culture and Sport and the Auditor General

We have audited the accompanying financial statements of The Niagara Parks Commission, which comprise the statement of financial position as at October 31, 2012 and the statements of operations, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management in accordance with the basis of accounting described in Note 2 to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting described in Note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Grant Thornton

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Niagara Parks Commission as at October 31, 2012, and the results of its operations, changes in net debt and cash flows for the years then ended in accordance with the basis of accounting described in Note 2 to the financial statements.

Basis of accounting

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes that basis of accounting. The financial statements are prepared to assist The Niagara Parks Commission to comply with the financial reporting provisions in the Province of Ontario Ministry of Tourism Memorandum of Understanding and Regulation 395/11 to the Ontario Financial Administration Act. As a result, the financial statements may not be suitable for another purpose.

Grant Thornton LLP

Port Colborne, Canada
February 22, 2013

Chartered Accountants
Licensed Public Accountants

The Niagara Parks Commission
Statement of Financial Position

As at October 31 (in thousands of dollars)	2012	2011
Financial assets		
Cash and cash equivalents	$ 10,110	$ 3,178
Accounts receivable	1,904	3,805
Inventories – saleable	3,583	4,177
	15,597	11,160
Liabilities		
Accounts payable	6,319	6,015
Accrued payroll	2,440	2,383
Deferred revenue (Note 3)	1,396	1,571
Deferred capital funding (Note 4)	12,887	8,902
Long term financing (Note 5)	33,676	34,956
Post-employment benefits (Note 6)	3,933	3,869
Power Plant stabilization obligation (Note 7)	27,497	26,859
	88,148	84,555
Net debt	(72,551)	(73,395)
Non-financial assets		
Tangible capital assets (Note 8 and Page 19)	149,349	153,578
Inventories – other	1,071	1,595
Prepaid expenses	267	155
	150,687	155,328
Accumulated surplus (Note 9)	$ 78,136	$ 81,933

Commitments and contingencies (Notes 11 and 12)

On behalf of the Commission

Janice Thomson

Chair

Commissioner

See accompanying notes to the financial statements.

The Niagara Parks Commission
Statement of Operations
For the Year Ended October 31, 2012
(in thousands of dollars)

	Budget 2012	Actual 2012	Actual 2011
Revenues			
Revenue producing operations	$ 64,234	$ 67,283	$ 60,341
Land rent	6,557	6,629	6,461
Commission, rentals and fees	2,612	2,756	2,565
Premium on United States funds – net	150	29	(132)
Gain on disposal of tangible capital assets		2	11
Sundry revenue	92	299	167
	73,645	76,998	69,413
Expenses (Page 20)			
Revenue producing operations			
Cost of goods sold	10,016	11,112	9,917
Operating	31,378	31,949	29,864
Maintenance	14,017	13,736	13,549
Administrative and police	10,028	11,157	10,698
Marketing and promotion	4,156	3,544	3,349
	69,595	71,498	67,377
Net surplus for the year before undernoted items	4,050	5,500	2,036
Other items			
Interest expense – net (Note 13)	1,784	1,769	1,864
Amortization of tangible capital assets (Note 14)	7,398	7,459	7,283
Amortization of deferred capital funding (Note 4)	(447)	(449)	(37)
	8,735	8,779	9,110
Net deficit from operations	(4,685)	(3,279)	(7,074)
Net increase in Power Plant stabilization obligation (Note 7)	(650)	(638)	(132)
Other capital funding		120	536
Annual deficit	(5,335)	(3,797)	(6,670)
Accumulated surplus			
Beginning of year	81,933	81,933	88,603
End of year	$ 76,598	$ 78,136	$ 81,933

See accompanying notes to the financial statements.

The Niagara Parks Commission
Statement of Changes in Net Debt

For the Year Ended October 31 (in thousands of dollars)	2012	2011
Annual deficit	$ (3,797)	$ (6,670)
Amortization of tangible capital assets	7,459	7,283
Acquisition of tangible capital assets (Note 16)	(3,302)	(10,491)
Proceeds from the sale of tangible capital assets	74	11
Gain on sale of tangible capital assets - net	(2)	(11)
	432	(9,878)
Use (acquisition) of prepaid expenses	(112)	332
Use (acquisition) of other inventories	524	(169)
Decrease (increase) in net debt	844	(9,715)
Net debt		
Beginning of year	(73,395)	(63,680)
End of year	$ (72,551)	$ (73,395)

See accompanying notes to the financial statements.

The Niagara Parks Commission
Statement of Cash Flows

For the Year Ended October 31
(in thousands of dollars)

	2012	2011
Increase (decrease) in cash and cash equivalents		
Operating activities		
Annual deficit	$ (3,797)	$ (6,670)
Charges against income not requiring an outlay of funds		
Post-employment benefits	390	372
Amortization of tangible capital assets	7,459	7,283
Amortization of deferred capital funding	(449)	(37)
Gain on disposal of tangible capital assets – net	(2)	(11)
Increase in Power Plant stabilization obligation – net	638	132
	4,239	1,069
Net change in non-cash working capital balances related to operations (Note 15)	3,093	149
	7,332	1,218
Capital activities		
Acquisition of tangible capital assets (Note 16)	(3,302)	(10,491)
Proceeds from the sale of tangible capital assets	74	11
	(3,228)	(10,480)
Financing activities		
Net decrease in long term financing	(1,280)	(1,390)
Cash outlay related to post-employment benefits	(326)	(262)
Receipt of capital funding	4,434	7,590
	2,828	5,938
Net increase (decrease) in cash and cash equivalents	6,932	(3,324)
Cash and cash equivalents		
Beginning of year	3,178	6,502
End of year	$ 10,110	$ 3,178

See accompanying notes to the financial statements.

The Niagara Parks Commission
Notes to the Financial Statements
For the Year Ended October 31, 2012

1. Nature of operations

The Niagara Parks Commission (the "Commission") is governed by the Niagara Parks Act. Initially established in 1885, the Commission is an "Operational Enterprise" of the Province of Ontario and is responsible for maintaining, protecting and showcasing over 1,300 hectares of parkland stretching some 56 kilometres along the Niagara River from Lake Erie to Lake Ontario. The Commission is exempt from corporate income taxes under the Income Tax Act (Canada) and Ontario Corporation Tax Act.

The Commission is also classified as an Other Government Organization by the Ministry of Finance and as such, the Commission's audited financial statements are published as part of the Public Accounts.

2. Significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with the financial reporting provisions in the Province of Ontario Ministry of Tourism Memorandum of Understanding and the Regulation 395/11 to the Ontario Financial Administration Act. The significant accounting principles used in the preparation of these financial statements are in line with the accounting standards established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) and Regulation 395/11 to the Ontario Financial Administration Act.

The significant accounting principles used in the preparation of these financial statements are summarized below.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with maturities of less than three months.

Inventories

Saleable and other inventories are valued at the lower of average cost and net realizable value.

Tangible capital assets

Tangible capital assets are recorded at cost. Cost includes all directly attributable expenses in the acquisition, construction, development and/or betterment of the asset required to install the asset at the location and in the condition necessary for its intended use. Contributed tangible capital assets are capitalized at their estimated fair value upon acquisition.

The Commission capitalizes an amount of interest as part of the costs of its capital works in progress and financed via long term financing.

Works of art for display in the Commission property are not included as capital assets. The works of art are held for exhibition, educational and historical interest. Such assets are deemed worthy of preservation because of the social rather than financial benefits they provide to the community. No valuation of the collection has been disclosed in the financial statements.

2. Significant accounting policies (continued)

Tangible capital assets (continued)

Leases are classified as capital or operating leases. Leases that transfer substantially all benefits incidental to ownership are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Amortization is calculated on a straight-line basis to write-off the net cost of each asset over its estimated useful life for all classes except land. Land is considered to have an infinite life without amortization. Residual values of assets are assumed to be zero with any net gain or loss arising from the disposal of assets recognized in the Statement of Operations. Amortization is charged on a monthly basis. Capital works in progress are not amortized until the asset is available for productive use.

Amortization is based on the following classifications and useful lives:

Classification	Useful Life
Buildings, roadways and structures	7 to 40 years
Equipment and furnishings	3 to 10 years
Vehicles	10 to 12 years

Deferred revenue

Revenue that is restricted by legislation of senior governments or by agreement with external parties are deferred and reported as restricted revenues. When qualifying expenses are incurred, restricted revenues are brought into revenue at equal amounts. Revenues received in advance of expenses that will be incurred in a later period are deferred until they are earned by being matched against those expenses.

Deferred capital funding

Government transfers for capital purposes are recorded as a liability, referred to as deferred capital funding and are recognized into revenue at the same rate as the related tangible capital assets are amortized, in accordance with Regulation 395/11 to the Ontario Financial Administration Act, as disclosed above.

Employee future benefits

The present value of the cost of providing employees with future benefit programs is expensed as employees earn these entitlements.

Revenue recognition

Revenue from gift shops, restaurants and attractions are recognized when merchandise has been transferred to the customer or services have been rendered. Revenue from land rent, commissions, rentals, fees and sundry are recognized over the life of the agreement or when earned.

2. Significant accounting policies (continued)

Foreign currency translation

These financial statements are presented in Canadian dollars. Assets and liabilities denominated in foreign currencies are translated at the exchange rates in effect at the statement of financial position date. Gains and losses on translation are reflected in the annual surplus/deficit.

Use of estimates and measurement uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Two areas in which estimates are used are with regards to post-employment benefits (Note 6) and the Power Plant stabilization obligation (Note 7).

3. Deferred revenue

	2012	2011
	(in thousands of dollars)	
Defunct power stations (Note 7)	$ 215	$ 226
Sale proceeds related to Fort Erie land transaction	548	669
Other	633	676
	$ 1,396	$ 1,571

Fort Erie land transaction obligation

In fiscal 2009, the Commission and the Peace Bridge Authority ("PBA") entered into an agreement to transfer parcels of land. The PBA acquired a 5.952 acre parcel located in Fort Erie from the Commission for $ 2,021,206. The Commission acquired an option for $ 670,000 plus an annual sum of $ 7,300 adjusted for inflation, to receive 1.973 acres of river front property located at the end of Jarvis Street in Fort Erie from the PBA. The agreement calls for the net proceeds to the Commission in the amount of $ 1,351,206 to be spent on a) funding improvements at Old Fort Erie which are intended for the 200th year anniversary of the War of 1812 and b) returning and/or maintaining the Jarvis Street property as parkland.

The net proceeds were recorded as part of deferred revenue on the statement of financial position. To date approximately $ 756,000 from these proceeds have been spent on the capital works project for the renovation of Historic Fort Erie and approximately $ 47,000 has been spent on the Jarvis Street property maintenance. As of October 31, 2012, approximately $ 548,000 remains for use in 2013 and beyond.

4. Deferred capital funding

The Commission secured stimulus grant funding to renovate its heritage sites in the amount of $ 8,939,056 and as of October 31, 2011 all funds were utilized and the projects were complete. In 2012 the Commission received $ 4,000,000 in capital funding to renovate the Falls Incline Railway in order to make it more accessible to visitors. The Falls Incline Railway capital project was in progress as of October 31, 2012. The Commission entered into a capital funding agreement with the City of Niagara Falls to rehabilitate a bridge located on the Parkway that was in a state of disrepair and was also in progress as of October 31, 2012. There was also some additional funding received from the Province to complete some smaller capital works projects in 2012.

	2012	2011
	(in thousands of dollars)	
Deferred capital funding		
Beginning of year	**$ 8,902**	$ 1,349
Received during year	**4,434**	7,590
Amortization	**(449)**	(37)
End of year	**$ 12,887**	$ 8,902

5. Long term financing

	2012	2011
	(in thousands of dollars)	
Unsecured fixed rate term loan requiring blended payments of principal and interest of $ 2,640,907 per annum, bearing interest at 5.06% through to April, 2027	**$ 27,364**	$ 28,561
Unsecured fixed rate term loan requiring blended first annual payment of $ 543,418 and then payments of $ 569,965 per annum thereafter, bearing interest at 5.07% through to April, 2027	**6,019**	6,271
Unsecured note payable requiring blended payments of principal and interest of $ 7,797 per month, bearing interest at 6% through to November, 2014	**176**	-
The Commission has an option to purchase land requiring annual payments of $ 7,300 until January, 2028 (Note 3)	**117**	124
	$ 33,676	$ 34,956

The principal payments of the long term financial obligations due in the next five fiscal periods are as follows:

2013	$ 1,609
2014	1,694
2015	1,695
2016	1,772
2017	1,861

6. Post-employment benefits

Defined termination benefits

The Commission provides a defined employee future benefit, payable on termination to certain full time employees with a minimum of five years of service. The benefit is calculated on the basis of one week's remuneration, at the time of termination, for every year of full time service provided to the Commission to a maximum of twenty-six weeks. The accrued benefit liability as at October 31, 2012 is $ 3,933,356 (2011 - $ 3,869,482).

The Commission requires that an actuarial valuation of the post-employment benefits be conducted every three years. The last valuation was completed for the year ending October 31, 2010.

As a result of an actuarial valuation conducted in 2010 for the year ending October 31, 2010, it was determined that an actuarial gain of $ 140,884 existed. The actual obligation as at October 31, 2012 is $ 3,792,472 (2011 - $ 3,728,598). Since the actuarial gain is less than 10% of the actual obligation, no minimum amortization has been recorded for the year.

Defined benefit plan information	2012	2011
	(in thousands of dollars)	
Employee benefit plan assets	$ Nil	$ Nil
Employee benefit plan liabilities	3,933	3,869
Employee benefit plan deficit	$ 3,933	$ 3,869
Benefit obligation recognized on the statement of financial position		
Benefit obligation, beginning of year	$ 3,869	$ 3,759
Expense for the year	390	372
Benefits paid during the year	(326)	(262)
Benefit obligation, end of year	$ 3,933	$ 3,869
The net benefit expense is as follows:		
Current service cost	$ 207	$ 193
Interest cost	183	179
	$ 390	$ 372

The main actuarial assumptions applied in the valuation of the defined benefit plan are as follows:

Interest (discount) rate – the accrued obligation and the expense for the year were determined using a discount rate of 5%.

Salary levels – future salary and wage levels were assumed to increase at 3% per annum.

These assumptions will be reviewed with the next actuarial valuation in fiscal 2013.

6. Post-employment benefits (continued)

Pension benefits

The Commission provides pension benefits for all its permanent employees (and to non-permanent employees who elect to participate) through the Public Service Pension Fund ("PSPF") and the Ontario Public Service Employee Union Pension Fund ("OPSEU Pension Fund"). These are defined benefit pension plans for employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF and a joint sponsor of the OPSEU Pension Fund, determines the Commission's annual payments to the funds. As the sponsors are responsible for ensuring that the pension funds are financially viable, any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the Commission. The Commission's annual payments of $ 2,018,061 (2011 - $ 1,784,726), of which $ 1,009,030 (2011 - $ 892,363) represents the employees' portion, are included in the administrative and police expense on the statement of operations.

The cost of post-employment, non-pension benefits are paid by the Province and therefore are not included in the statement of operations.

7. Power Plant stabilization obligation

The Province of Ontario directed the Commission to accept ownership of three former electricity generating power stations all located within Commission lands.

The Toronto Power Generating Station ("TPGS") and the Ontario Power Generating Station ("OPGS") were transferred by Ontario Power Generation Inc. ("OPG") to the Commission at no cost in August, 2007. As part of the terms of transfer of TPGS and OPGS, OPG was to undertake certain structural and environmental work to ensure that the buildings were no threat to the public. The Canadian Niagara Power Generating Station ("CNPGS") previously owned by Fortis Ontario was transferred April 30, 2009.

The Ministry of Tourism engaged the services of an architectural firm (The Ventin Group Inc.) to ensure that the original Government Directive governing the initial transfer was complied with and to identify work and related costs required to "stabilize and mothball" all the facilities until an ultimate use for the buildings can be determined. The Ventin Group identified the remaining lead paint at the TPGS and OPGS as a deficiency which OPG should have resealed or encapsulated after cleaning. The Ventin Group reported that there are substantial costs required to bring the three power stations to what would be considered a "mothball" state. Therefore, additional costs would be required to bring these buildings to a "development ready" state. Further, there are in existence certain secondary structures related to TPGS and OPGS that were not accounted for in the original Directive that will result in additional remediation costs at some point in the future.

The Commission is of the belief that the acceptance of these Power Generating Stations will require a significant infusion of funds that is beyond its capacity to meet. As at October 31, 2012, ongoing negotiations with the Province have not resulted in any assurance that the Commission will not be responsible for any future costs. Any costs that are expected to be incurred for the purposes described above will not commence without funding received from the Province.

7. Power Plant stabilization obligation (continued)

An asset retirement obligation of $ 25,146,000 as of October 31, 2009 was calculated. This value represented the Commission's best estimate of the costs required to "stabilize and mothball" the three power stations based on the report received from the Ventin Group. The report also identified contingency costs of approximately $ 3,600,000 which was not accrued in the asset retirement obligation at that time. The Commission estimates that this work could take approximately three to four years to complete. In order to determine the net present value of the asset retirement obligation, staff have estimated that, subject to financing being received from the Province, work will not commence for several years. It is estimated that the work may commence in 2016. The cost of capital and the rate of inflation estimated over the course of the calculation was 5.059% and 3%, respectively. This results in a net present value of $ 22,582,729 as at October 31, 2012. This is an increase of $ 455,598 from 2011 and has been recorded in the statement of operations.

Two additional studies were completed during the year ended October 31, 2010 which identified an additional liability involved with the "stabilization and mothball" process. The first report known as the Hatch group study identified an additional $ 6,305,000 for external/infrastructure work that is required. The second study was completed by the Quartek group which identified an additional $ 1,260,000 related to additional costs to stabilize the roofs of the buildings. Together these two reports equal an increase of $ 7,565,000. As previously mentioned it is estimated this work will not commence until 2016 and correspondingly another calculation for the net present value of this additional liability was performed using a cost of capital of 5.059% and inflation rate of 2% respectively. This results in net present value of $ 6,541,772 as at October 31, 2012 for this portion of the liability. This is an increase of $ 194,173 from 2011 and has also been recorded in the statement of operations.

	2012	2011
	(in thousands of dollars)	
Power Plant stabilization obligation		
Beginning of year	$ 26,859	$ 26,727
Current year increase in present value of original obligation	650	635
Actual work performed during year	(12)	(503)
Net increase in Power Plant stabilization obligation	638	132
End of year	$ 27,497	$ 26,859

A capital asset has not been recorded for these properties as there is an impairment in their value, which has been documented in the various studies carried out to date.

As at October 31, 2009, the Commission had received $ 1,550,000 in funding from the Ministry of Tourism to assist in the "stabilizing and mothball" process. Approximately $ 215,000 of this funding remains for use in 2013 and beyond.

The Commission has incurred annual costs related to maintenance and security for all sites and has recorded them in the statement of operations and are included in the maintenance expense.

8. Tangible capital assets

	Cost	Accumulated Depreciation	2012 Net Book Value	2011 Net Book Value
			(in thousands of dollars)	
Land	$ 14,359		$ 14,359	$ 14,359
Land improvements	17,135		17,135	17,135
Buildings, roadways and structures	203,239	$ 93,131	110,108	114,842
Equipment, furnishings and vehicles	49,347	43,460	5,887	6,677
	284,080	136,591	147,489	153,013
Capital works in progress	1,860		1,860	565
	$ 285,940	$ 136,591	$ 149,349	$ 153,578
Equipment under capital lease included above	$ 69	$ 35	$ 34	$ 41

9. Accumulated surplus

	2012	2011
	(in thousands of dollars)	
Operating surplus	$ 6,780	$ 2,941
Investment in tangible capital assets	136,462	144,676
Unfunded		
Long term debt	(33,676)	(34,956)
Post-employment benefits	(3,933)	(3,869)
Power Plant stabilization obligation	(27,497)	(26,859)
	(65,106)	(65,684)
Accumulated surplus	$ 78,136	$ 81,933

Surplus funds

Pursuant to Section 16(2) of the Niagara Parks Act, any surplus moneys shall, on the order of the Lieutenant Governor in Council, be paid to the Minister of Finance and shall form part of the consolidated revenue fund. As at October 31, 2012 no surplus moneys have been recorded as a liability to the Minister of Finance.

10. Credit facilities

The credit facilities, which have a maximum borrowing capacity of $ 15,000,000, provide for two types of loans. There is a variable rate option which varies with the Canadian Imperial Bank of Commerce prime rate and there is a fixed rate operating loan facility available with a maximum term not to exceed 364 days at rates which are set relative to banker's acceptance rates. These credit facilities are unsecured and expire on October 31, 2014. As at October 31, 2012, $ Nil has been drawn upon for all credit facilities (2011 – $ Nil).

11. Commitments

The Commission has committed to approximately $ 11,772,000 in capital works projects in the next year. The commitment involves the completion of the Falls Incline Railway (approximately $ 6,100,000) and Bridge rehabilitation (approximately $ 5,600,000).

The Commission has two agreements with a franchisor requiring the payment of service fees of 4% of gross sales and advertising and marketing fees of 2.5% of gross sales. The terms of the agreements are 10 years, expiring in 2016 and 2022. In addition, the Commission has an agreement to lease related equipment from the franchisor, at a rental fee ranging from 1% to 4% of gross sales depending on the level of sales. The Commission has the option to purchase said equipment for a price equal to the unamortized value.

The Commission leases vehicles, equipment and premises under operating leases expiring in 2018. The total obligation under operating leases amounts to approximately $ 435,000. The principal payments due in the next five fiscal periods are as follows:

2013	$ 224
2014	172
2015	12
2016	9
2017	9

12. Contingencies

The Commission is in litigation pertaining to certain claims for which the likelihood of loss is not determinable and the amount not reasonably estimable. Accordingly, no provision for these claims is reflected in the financial statements.

13. Interest expense – net

	Budget 2012	**Actual 2012**	Actual 2011
		(in thousands of dollars)	
Interest revenue	$ (25)	**$ (30)**	$ (25)
Loan interest expense	1,809	**1,799**	1,889
	$ 1,784	**$ 1,769**	$ 1,864

14. Amortization of tangible capital assets

	Budget 2012	Actual 2012	Actual 2011
		(in thousands of dollars)	
Amortization of income producing assets	$ 4,201	$ 4,275	$ 4,031
Amortization of non-income producing assets	3,197	3,184	3,252
	$ 7,398	$ 7,459	$ 7,283

15. Statement of cash flows

	2012	2011
	(in thousands of dollars)	
Changes in working capital components include		
Accounts receivable	$ 1,901	$ (597)
Inventories	1,118	789
Accounts payable and accrued payroll	361	240
Deferred revenue	(175)	(615)
Prepaid expenses	(112)	332
	$ 3,093	$ 149
Interest received	$ 30	$ 25
Interest paid	$ 1,799	$ 1,889

16. Acquisition of tangible capital assets

During the year, tangible capital assets were acquired at an aggregate cost of $ 3,302,000 (2011 - $ 10,491,000) of which $ 156,000 (2011 - $ Nil) was acquired by means of capital leases and other non-cash acquisitions. Cash payments of $ 3,146,000 (2011 - $ 10,491,000) were made to purchase tangible capital assets.

17. Financial instruments and risk management

Fair value

Fair value information with respect to long term financing has been omitted because it is not practicable to determine fair value with sufficient reliability.

The fair value of the post-employment termination benefit was determined using an actuarial valuation based on information presented in Note 6 to the financial statements.

17. Financial instruments and risk management (continued)

Credit risk

The Commission is exposed to a credit risk by its customers. However, because of the large number of customers, credit risk concentration is reduced to a minimum.

Currency risk

The Commission has cash of $ 2,117,805 that is denominated in U.S. dollars. These funds have been converted to the Canadian equivalent at the rate of $ 1 U.S. equals $ 0.9993 Canadian. The Commission realizes approximately 13.9% (2011 – 14.4%) of its sales in foreign currency. Consequently, some assets and revenues are exposed to foreign exchange fluctuations.

Cash flow risk

The Commission has variable rate bank overdraft facilities bearing interest which varies with the prime interest rate. Accordingly, the Commission is exposed to cash flow risks relating to potential fluctuations in market interest rates.

18. Comparative figures

Certain 2011 comparative figures have been reclassified to conform to the financial statement presentation adopted in 2012.

The Niagara Parks Commission
Schedule of Tangible Capital Assets
For the Year Ended October 31, 2012
(in thousands of dollars)

	Land	Land Improvements	Buildings Roadways Structures	Equipment Furnishings Vehicles	Capital Works in Progress	2012	2011
Cost							
Beginning of year	$ 14,359	$ 17,135	$ 202,191	$ 50,692	$ 565	**$ 284,942**	$ 274,897
Add additions			156	959	2,187	**3,302**	10,491
Less disposals				(2,304)		**(2,304)**	(446)
Transfers of capital works in progress			892		(892)		
End of year	14,359	17,135	203,239	49,347	1,860	**285,940**	284,942
Accumulated amortization							
Beginning of year			87,349	44,015		**131,364**	124,527
Add amortization			5,782	1,677		**7,459**	7,283
Less disposals				(2,232)		**(2,232)**	(446)
End of year			93,131	43,460		**136,591**	131,364
Net book value	$ 14,359	$ 17,135	$ 110,108	$ 5,887	$ 1,860	**$ 149,349**	$ 153,578

The Niagara Parks Commission
Schedule of Expenses by Object

For the Year Ended October 31, 2012
(in thousands of dollars)

	Budget 2012	Actual 2012	Actual 2011
Cost of goods sold	$ 10,016	$ 11,112	$ 9,917
Salaries, wages and benefits	41,579	41,613	39,380
Sales and other	1,647	2,459	2,270
Equipment repairs and maintenance	4,321	4,235	4,360
Materials and supplies	2,057	2,209	1,840
Advertising and promotion	2,311	1,942	2,000
Facilities	6,159	5,709	5,632
Administrative	1,505	2,219	1,978
	$ 69,595	$ 71,498	$ 67,377